ANNUAL REPORT

OF THE

Prince Edward Island
Land Development Corporation

Year Ending 31 March

1986

CHARLOTTETOWN, PRINCE EDWARD ISLAND

87-03478/

August 14, 1986

The Honourable Tim Carroll
Minister Responsible for the
P.E.I. Land Development Corporation
Charlottetown
Prince Edward Island

Honourable Sir:

In accordance with the Prince Edward Island Land Development Corporation Act, I enclose the report of the Corporation for the fiscal year ended March 31, 1986.

This statement includes the Corporation's audited financial statements for this period.

Respectfully submitted,

LESLIE UNDERHAY
Chairman of the Board

TABLE OF CONTENTS

Letter of Transmittal 3

Members of the Corporation 6

Policy Objective 7

Program Objective 8

Program Areas 8

Report 9

Report of the General Manager 10

Staff 12

Financial Statements 13

1985-86 Summary — L.D.C. Purchases (by County) 19

1985-1986 Summary — L.D.C. Purchases (average figures) 20

1985-86 Summary — L.D.C. Purchases (properties, dollars & acres) 21

Summary Use of Lands (1985-86 agreement completed) 22

1985-86 Transfer of Lands (adjustment and deleakage) 23

Summary Use of Lands, Cumulative to March 31, 1986 24

MEMBERS OF THE BOARD OF DIRECTORS

PRINCE EDWARD ISLAND

LAND DEVELOPMENT CORPORATION

MARCH 31, 1986

CHAIRMAN	
Mr. Frederick G. Dollar	Farmer, Winsloe
VICE-CHAIRMAN	
Mr. Leslie Underhay	Farmer, Fortune
SECRETARY/TREASURER	
* Mr. Stanhope Moore	General Manager Land Development Corporation
MEMBERS	
Mr. Alexander Griswold	Dept. of Agriculture
Mr William Jay	P.E.I. Lending Authority
Mr. Lloyd Palmer	Dept. of Agriculture
Mr. Colbourne Clow	Farmer, Freetown
ADVISORY MEMBER	
* Mr. John Van Abbema	Farm Credit Corporation Moncton, New Brunswick

* Non-voting

THE PRINCE EDWARD ISLAND

LAND DEVELOPMENT CORPORATION

POLICY OBJECTIVE

"TO CONSERVE, DEVELOP AND ASSIST IN IMPROVING THE USE OF LAND IN PRINCE EDWARD ISLAND IN RELATION TO ITS CAPABILITY AND IN ACCORDANCE WITH THE PUBLIC INTEREST, BUT WITH A PRIMARY OBJECTIVE OF CONSOLIDATING GOOD AGRICULTURAL LANDS FOR THE PURPOSE OF INCREASING FARMER AND AGRICULTURAL SECTOR INCOME."

PRINCE EDWARD ISLAND LAND DEVELOPMENT CORPORATION

PROGRAM OBJECTIVES

The Land Development Corporation acts as land adjustment agent to:

(a) purchase and retain for farm use agricultural land which is offered for sale.

(b) assist developing and establishing farmers who require land by improving this land as necessary and by making this land available on reasonable terms.

(c) improve the pattern of land holdings and land use in certain areas by land consolidation and to bank lands as required.

(d) to transfer from agricultural use land unsuitable for agricultural purposes, and to act as government purchasing agent for the Forestry, Fish & Wildlife and Tourism, Parks and Conservation sectors.

PROGRAM AREAS

The program areas established in order to carry out these objectives include:

(a) Acquisition of land:
to acquire land by means of:

i) direct cash purchase from farmers desiring to sell their farm properties.

ii) the annuity program whereby farmers over 60 years of age could receive a monthly annuity for five years. The farm owner also has the option for a lifetime lease of his house and one acre of land.

(b) Dispersal of land:
the mechanisms set up for dispersal of land to farmers include:

i) sales — through direct cash, agreements of sale, or mortgage

ii) renewable five year lease arrangements with the option to purchase

iii) transfer of non-agricultural lands to other sectors for management.

REPORT

"The Land Development Corporation was designed as the vehicle to effectively bring about structural changes in agriculture, the most important of which are lands consolidation, farm unit organization and farm improvements. The Corporation can also play a key role in promoting desirable alternative use for rural lands, such as forestry, wildlife and recreation.

This statement which is found in each of the last sixteen Annual Reports, bears repeating. It is through programs such as those of the Land Development Corporation that the potential of the land resource may be realized thereby increasing income employment and contribution to the economic development of the Province. The wise and efficient utilization of the land resource is, therefore, one of the keys to the success of the Comprehensive Development Plan.

GENERAL MANAGER'S REPORT

I am pleased to report for the fiscal year ending March 31, 1986 that the Corporation has completed a very active year in purchasing and leasing farm land. In this our seventeenth (17th) year, we continue to direct our emphasis on new farmers and smaller farmers wishing to expand their land holdings. During the period under review, the Corporation purchased forty-nine (49) properties consisting of five thousand one hundred and fifty-three (5,153) acres for a total cost of $3,210,428.00. Sixty-nine (69) properties consisting of three thousand nine hundred and three (3,903) acres were sold at a value for $1,857.711. These sales, for the most part, were on properties on which the five (5) year lease terminated and the farmers exercised their option to purchase. Of the sixty-nine (69) properties sold, the Corporation took back fifteen (15) mortgages at a total value of $572,945.00. Capital improvements were carried out on twenty (20) leased and mortgaged properties for a total of $484,119.00 The costs of capital improvements are added to the option price or the outstanding balance of the mortgage. Financing to farmers for the year included one hundred and six (106) leases at a value of $4,315,431.00, fifteen (15) mortgages at a value of $572,945.00 and twenty (20) capital improvements valued at $484,119.00 for a total of $5,372,495.00.

Lease rates during the first quarter of the year under a review were at ten point zero eight per cent (10.08%) while the second and third quarter dropped to nine point five five per cent (9.55%) and nine percent four zero per cent (9.40%) respectively. The final quarter dropped to nine point three zero per cent (9.30%). Lease rates are subject to change quarterly and are calculated from the Corporation's borrowing from the previous quarter.

Mortgage rates are the same as Farm Credit Corporation's rates and were subject to change more frequently than in previous years. For shorter periods of time, rates were at thirteen and one half per cent (13 1/2%), thirteen per cent (13%), twelve and one half per cent (12 1/2%) and eleven and seven eights per cent (11 7/8%)

During the year under review, the Corporation continued to purchase only properties that could be sold or leased immediately. There were no properties purchased to place in inventory for future use. Under this policy, we are in a position to reduce our existing inventory and corresponding carrying costs.

During the year under review, the Corporation experienced brisk activity during the first two (2) quarters of the year. However, there was a noticeable drop in activity during the last two (2) quarters. This trend can be attributed to the low potato prices for the 1984 and 1985 crops. New farmers are hesitant to venture into farming during years of depressed prices, while established farmers are hesitant to take on new or additional debt.

After a one-year leave-of-absence, Leonard Keefe has returned to assume the duties of administrator/accountant. This position is now filled by a job sharing arrangement between Mr. Keefe and Thomas Wallis. Each employee works half the regular working hourse. This work-sharing arrangement is beneficial to both employees and quite satisfactory to the Corporation.

To conclude this report, I acknowledge the co-operation received by the management and staff from the Chairman of the Board and its members, the Minister Responsible, Hon. Prowse Chappell, and other provincial and federal departments with which our staff work.

Respectfully submitted,

W. S. MOORE, P. Ag.
General Manager

PRINCE EDWARD ISLAND LAND DEVELOPMENT CORPORATION

STAFF

BETWEEN 1 APRIL 1985 AND 31 MARCH 1986

W. Stanhope Moore	General Manager
Pamela J.S. Campbell	Secretary to General Manager
Ernest Hudson	Regional Representative
Frank Duguay	Regional Representative
Edgar Coffin	Regional Representative
George Harris	Agricultural Technician
Leonard Keefe	Administrator (Job Share)
Thomas Wallis	Administrator (Job Share)

AUDITOR'S REPORT

To the Board of Directors
Prince Edward Island Land Development Corporation

I have examined the balance sheet of the Prince Edward Island Land Development Corporation as at March 31, 1986 and the statement of financial activities for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances, except as explained in the following paragraph.

Management has established an allowance for doubtful accounts for accounts receivable at March 31, 1986 of $471,355 based on their knowledge of the accounts. The recorded value of accounts receivable as described in Note 2 to the financial statements at year-end is $2,558,617. Because of lack of available financial information on the Corporation's clients I was unable to substantiate whether an adequate allowance was provided for.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself concerning the adequacy of the allowance for doubtful accounts for accounts receivable, these financial statements present fairly the financial position of the Corporation as at March 31, 1986 and the results of its operations for the year then ended in accordance with the basis of accounting as disclosed in Note 1 to the financial statements applied on a basis consistent with that of the preceding year.

R. Huisman, C.A.
Acting Auditor General

Charlottetown, Prince Edward Island
June 19, 1986

PRINCE EDWARD ISLAND LAND DEVELOPMENT CORPORATION

BALANCE SHEET

MARCH 31, 1986

(with comparative figures at March 31, 1985)

ASSETS

	1986	1985
CURRENT ASSETS		
Cash	$ 15,870	$ 202,101
Accounts receivable — Trade — Note 2	2,087,262	1,615,334
— Province of P.E.I.	—	76,162
Accrued interest	176,607	137,058
Property — held for resale	3,141,929	3,292,421
— A.R.D.A. properties — Note 3	30,149	30,149
Mortgages and agreements of sale — Current portion	113,302	108,008
	5,565,119	5,461,233
LONG-TERM ASSETS		
Leased property — Note 4	15,624,872	13,631,938
Mortgages receivable	1,757,567	1,485,252
Agreements of sales receivable	401,021	490,048
	2,158,588	1,975,300
Less: Current Portion	113,302	108,008
	2,045,286	1,867,292
Fixed asset — Computer	11,454	11,454
Less: Accumulated Depreciation — Note 1(c)	6,115	3,851
	5,339	7,603
	17,675,497	15,506,833
TOTAL ASSETS	$23,240,616	$20,968,066

(Notes 1 to 8 are an integral part of these financial statements)

STATEMENT 1

PRINCE EDWARD ISLAND LAND DEVELOPMENT CORPORATION

BALANCE SHEET

MARCH 31, 1986

(with comparative figures at March 31, 1985)

LIABILITIES

	1986	1985
CURRENT LIABILITIES		
Accounts payable		
— Province of Prince Edward Island	$ 1,510,059	$ 1,664,878
— General	67,258	36,353
— A.R.D.A. program — Note 3	16,860	22,297
— Accrued taxes	6,653	6,653
Long-term liabilities — Current portion	108,495	97,199
	1,709,325	1,827,380
LONG-TERM LIABILITIES		
Province of Prince Edward Island		
— Notes payable — Note 5	14,043,545	11,543,545
— Loans — Note 6	7,581,166	7,679,265
Less: Current Portion	108,495	97,199
	7,472,671	7,582,066
A.R.D.A. deferred profit on acquisition of properties — Note 3	15,075	15,075
	21,531,291	19,140,686
TOTAL LIABILITIES	$23,240,616	$20,968,066

STATEMENT 2

PRINCE EDWARD ISLAND LAND DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED MARCH 31, 1986

(with comparative figures for the year ended March 31, 1985)

		1986		1985
INCOME				
Provincial Appropriation		$ 546,262		$ 558,902
Lease income — Note 4		1,624,224		1,361,206
Interest earned		421,688		368,329
Profit (Loss) on sale of property — Note 7		(12,635)		40,029
Miscellaneous income		31,927		37,838
Land transfer income — Note 8		2,200		2,050
A.R.D.A. Lease income — Note 3		709		5,584
		$2,614,375		$2,373,938
EXPENSES				
Administration				
Salaries	$254,214		$255,742	
Office	14,851		16,210	
Travel	10,897		10,552	
General	13,679		7,586	
Board of Directors	7,303	$ 300,944	8,666	$ 298,756
Interest — short term		1,289		3,621
— long term		1,971,607		1,805,413
Bad debts		263,443		180,205
Property purchase expenses		49,274		53,436
Property maintenance		25,554		30,477
Depreciation Expense — Note 1(c)		2,264		2,030
		$2,614,375		$2,373,938

(Notes 1 to 8 are an integral part of these financial statements)

PRINCE EDWARD ISLAND LAND DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1986

1. Summary of significant accounting policies:

   (A) Net Income:

   The financial statements of the Corporation do not reflect any net income. Government policy is that the Province of Prince Edward Island will absorb the profits or losses of the Corporation in the year in which they occur.

   (B) Property —

   The land and buildings held for resale or lease are valued at cost. It is the policy of the Corporation to recognize gains and losses on properties at the time of disposal. Also, it is the policy of the Corporation to recognize inventory purchases or sales at the time the funds are disbursed or received.

   (C) Depreciation —

   Depreciation is being charged against the computer at a rate equal to the principal reduction on the five year loan provided by the Province to finance the purchase.

2. Accounts Receivable — Trade — Consist of the following:

	1986	1985
Agreements of Sale — principal receivable	$ 38,818	$ 37,396
Agreements of Sale interest receivable	75,991	81,506
Mortgages — principal receivable	103,265	69,354
Mortgage interest receivable	327,494	226,489
A.R.D.A. Lease income receivable	2,987	2,604
Community pastures receivable	—	332
Lease income receivable	1,996,827	1,478,189
Miscellaneous	13,235	25,745
	2,558,617	1,921,615
Less: Allowance for doubtful accounts	471,355	306,281
	$2,087,262	$1,615,334

   The majority of Mortgages, Agreements of Sale, and Leases have March 31 as their due date.

3. Title to the A.R.D.A. properties was tranferred to the Corporation during the the year ended March 31, 1975. This transfer was made at a nil cost to the Corporation, however, the properties were recorded at their original cost under the A.R.D.A. program. Pursuant to the Federal-Provincial Cost Sharing Agreement half of the transfer amount was reflected as payable to the

Federal Government and half as deferred profit to be recognized as the A.R.D.A. properties were sold. In addition, half of any lease income earned from the properties is also payable to the Federal Government.

4. The majority of the leases are for a period of 5 years with the option to purchase at the end of the lease. The majority of the lessees in the past have exercised this option. As a result of changed economic times, there is some uncertainty whether the majority of leases in the future will continue to have their options exercised. If the lease options are not exercised, the property values may have to be reduced in order to dispose of the properties.

5. The Note Payable is renewed at the beginning of each month with the interest rate charged being the Province's short term lending rate. At March 31, 1986 the interest rate charged was 12.5%. Because the note is not expected to be repaid in the near future, it is considered a long-term liability.

6. Loans payable — Province of Prince Edward Island, consists of $4,891,000 covered by an agreement between the Province of Prince Edward Island and the Government of Canada. Under this agreement Prince Edward Island Land Development Corporation is to make repayment in three installments — the twentieth, twenty-fifth and thirtieth anniversary dates. For the remaining loans payable, repayment is to be made on an annual basis to maturity. There are 38 separate loans with varying interest rates between 6 11/16% and 13 1/4% and maturity dates between 1997 and 2005.

7. Losses on the sale of property for the year ended March 31, 1986 was based on the following:

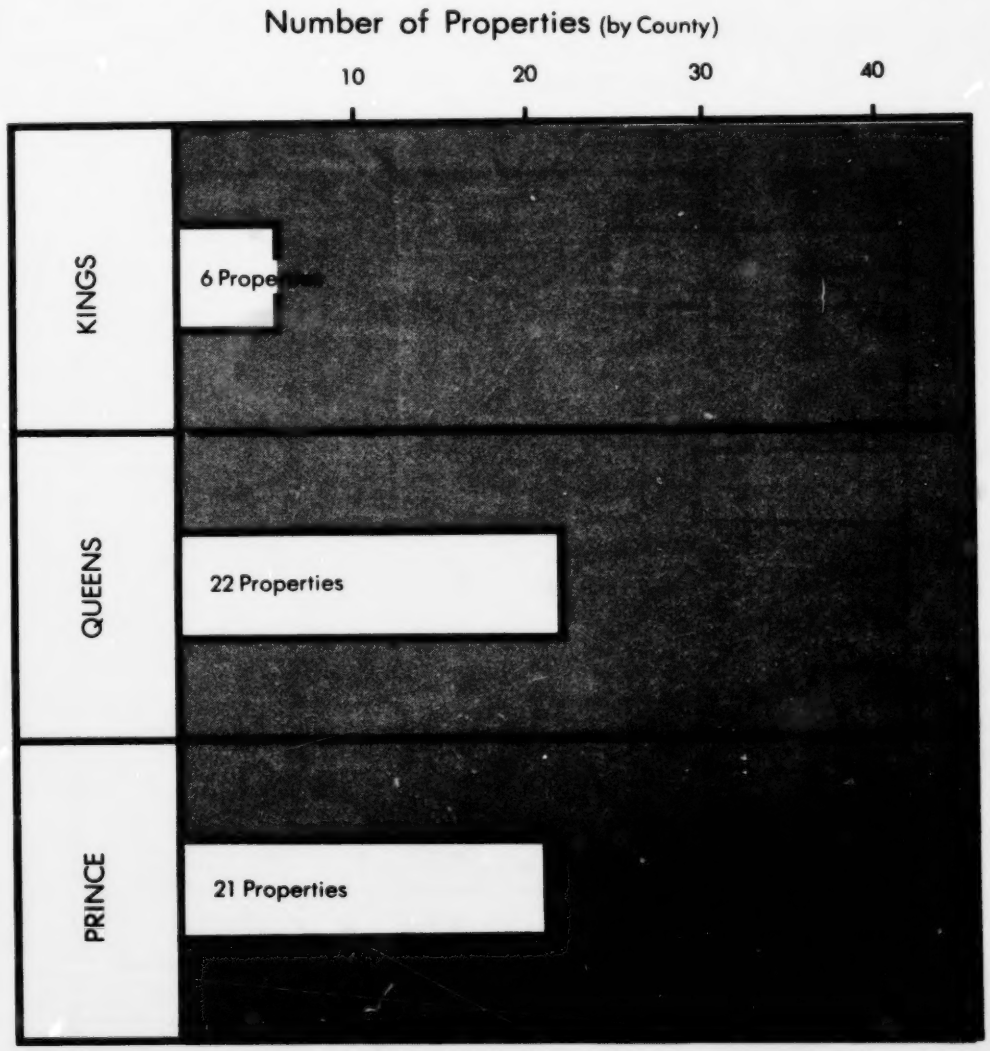
Sale of property during the year	$1,845,076
Less: Cost of property sold	1,857,711
	$ (12,635)

8. Accumulated land transfer costs under the Land Leakage Program to March 31, 1986 totalled:

Buildings	$ 150,895
Land	5,196,441
	$5,347,336

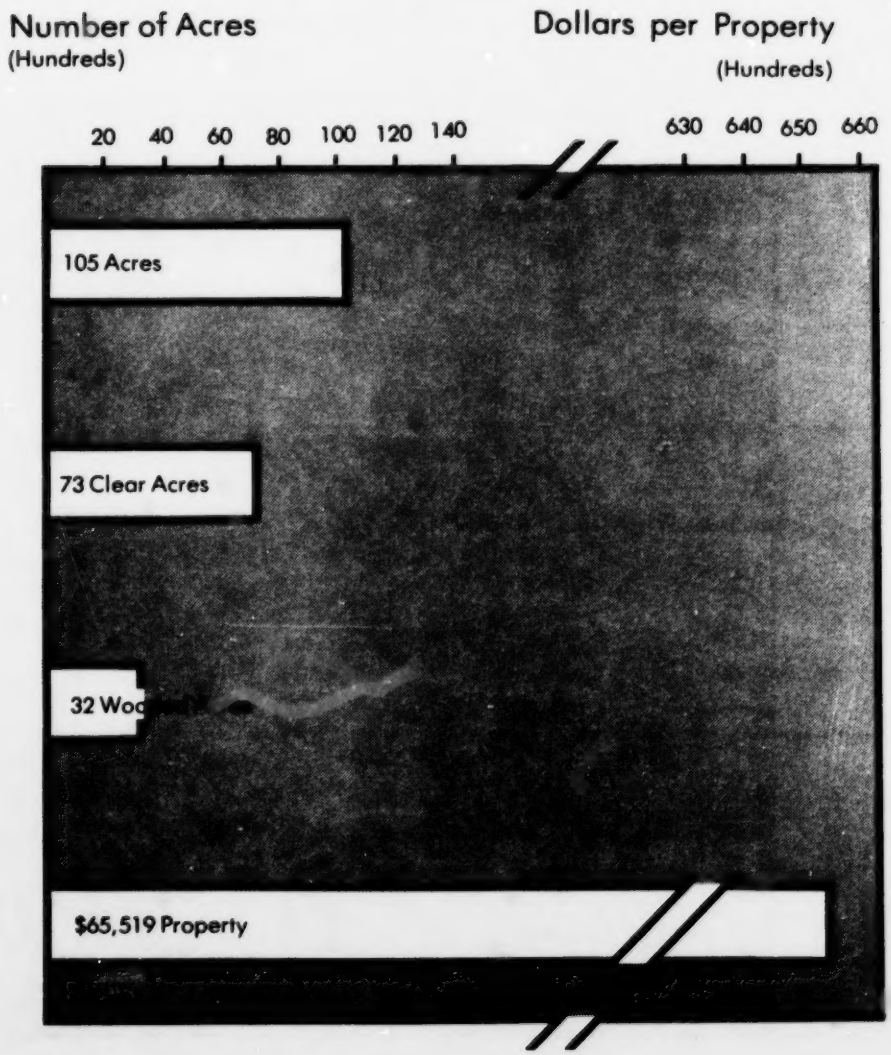
1985-1986 SUMMARY OF LDC PURCHASES

49 Properties (Net)



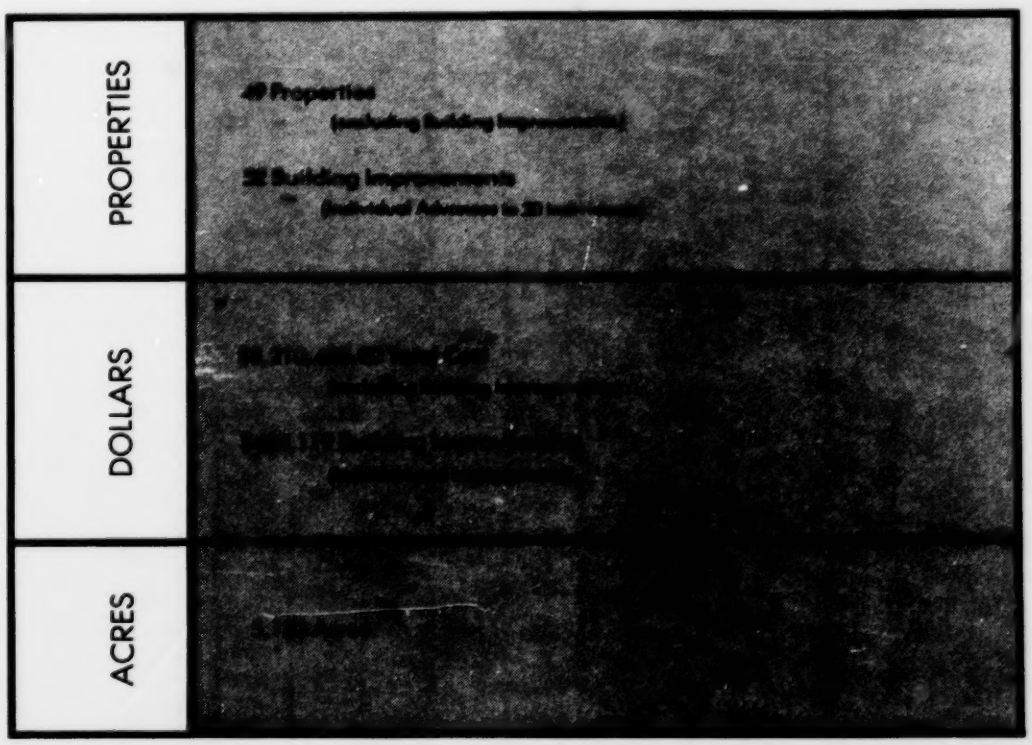
1985-1986 SUMMARY OF LDC PURCHASES

(Average Figures)



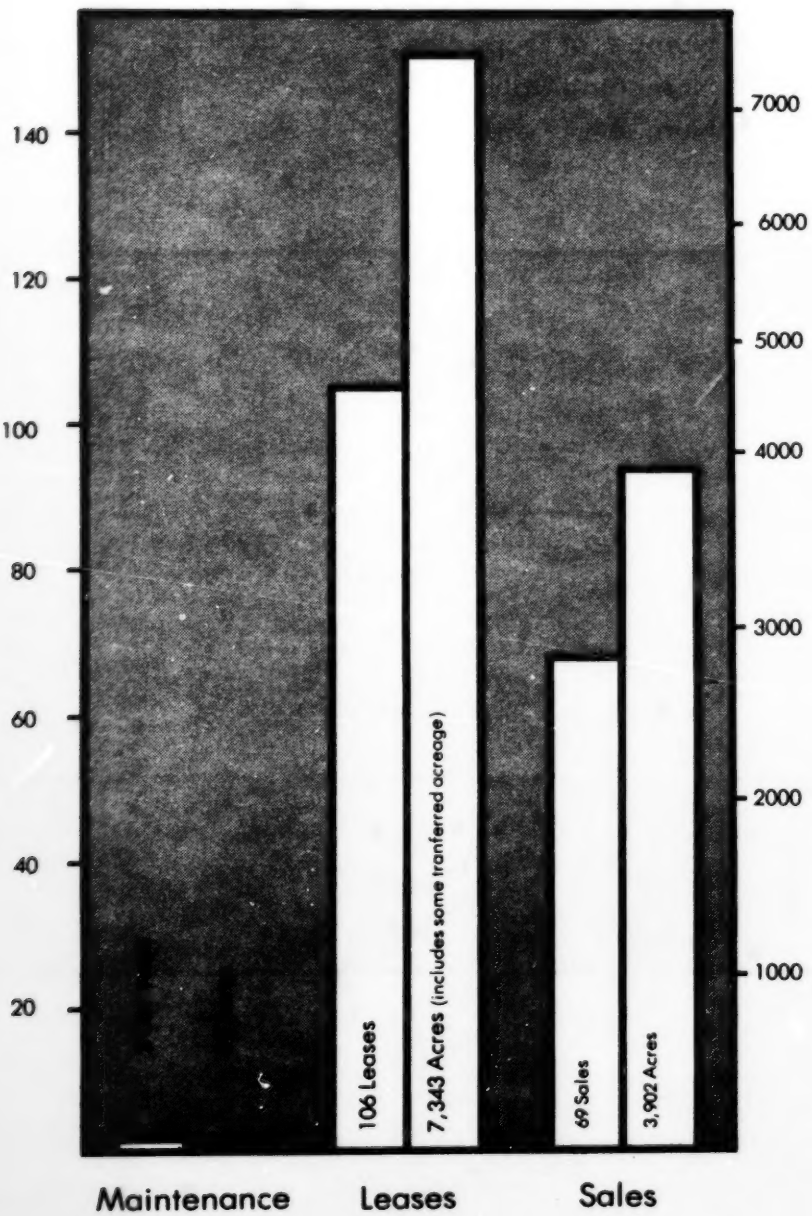
1985-1986 SUMMARY OF LDC PURCHASES

Number of Properties
Number of Dollars
Number of Acres



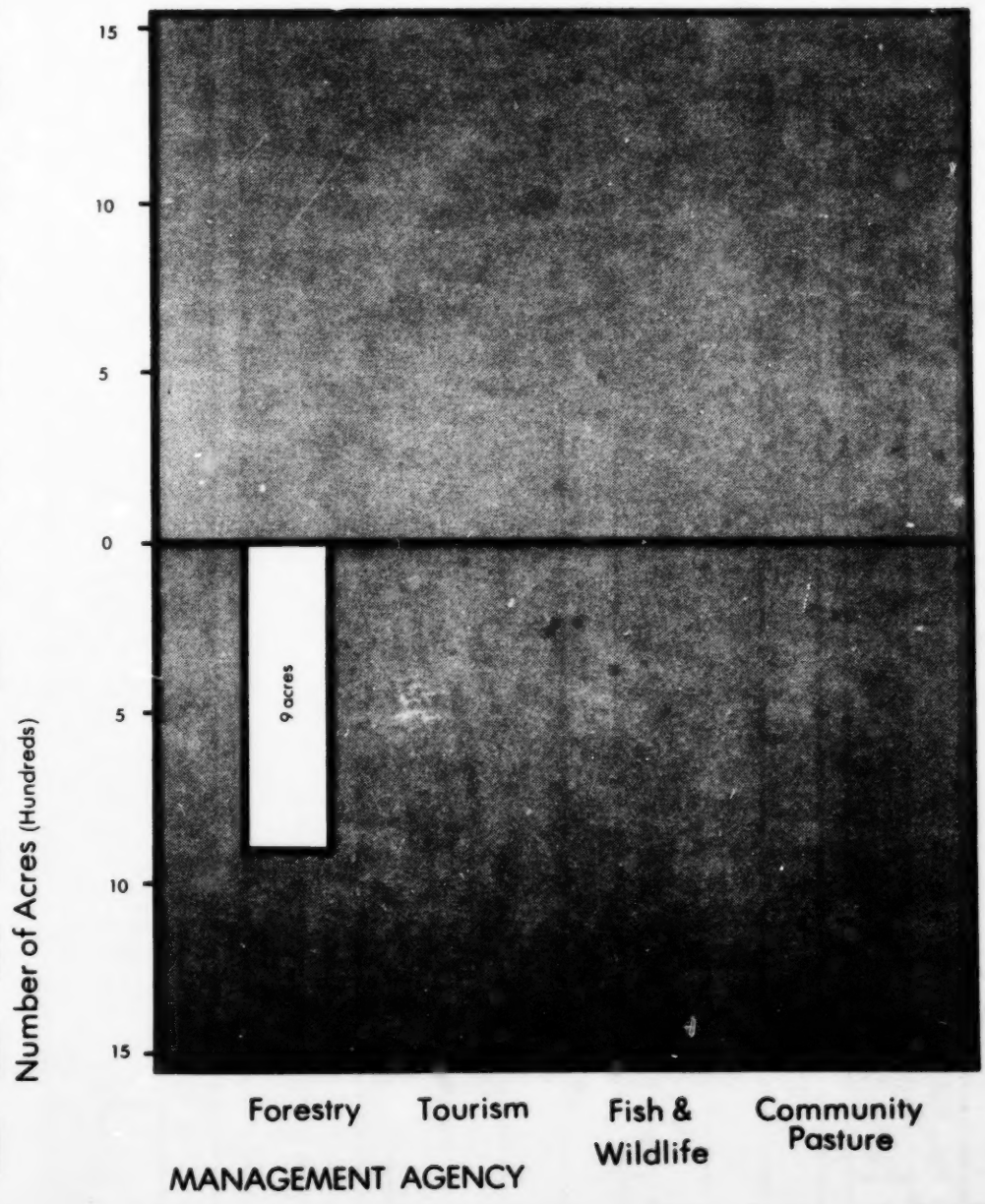
1985-1986 SUMMARY USE OF LANDS

(agreements completed 1985-1986)



1985-1986 TRANSFER OF LANDS

(adjustment and deleakage)



SUMMARY USE OF LANDS

(Cumulative to March 31, 1986)